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ON PAGE 1LOS ANGELES TIMES  
17 February 1986

# Soviet Bid to Buy U.S. Banks Is Still a Mystery

## Thwarted Scheme in '70s Believed Part of Effort to Obtain Scientific or Financial Information

By JOHN M. BRODER, *Times Staff Writer*

A decade after U.S. intelligence thwarted a secret Soviet plan to gain control of four Northern California banks, American officials remain uncertain of Moscow's motives, though some now charge the plot was an attempt to steal sensitive Silicon Valley technology.

Others familiar with the case, however, say the Soviets may have been pursuing inside knowledge of the American financial system or simply a quick buck.

The complex Soviet scheme involved two Singaporean businessmen and several intermediate financial institutions to finance the purchase in 1974 and 1975 of small banks in Burlingame, Fresno, South Lake Tahoe and San Francisco.

According to military and intelligence analysts quoted in an article in Sunday's New York Times, the Soviet plan was part of a larger effort to covertly obtain Western scientific and military technology. The experts said the Soviets hoped to use the banks to gain access to blueprints or other information at high-technology firms that were customers of the banks.

But other sources contacted Sunday questioned whether high-technology firms would share sensitive scientific data with their bankers and noted that dozens of foreign financial institutions invested in U.S.—and particularly California—banks during the mid-1970s for purely financial reasons.

And, according to his lawyer, Singapore businessman Amos Dawe, one of the middlemen in the deal, said the Soviets wanted the banks chiefly to learn about the computer technology of American banking and to gain entry into the Federal Reserve Bank system, with its detailed data about the U.S.

economy and financial structure.

According to federal court papers, the plan fell apart after the Soviets had supplied \$1.8 million in down payments on three banks: the Peninsula National Bank in Burlingame, the First National Bank of Fresno and the Tahoe National Bank in South Lake Tahoe. The banks have since been acquired by the Central Banking System, based in San Francisco.

The Soviets also sought partial control of a fourth bank, the Camino California Bank in San Francisco, the court records show.

The attempted purchases were not illegal under current American law.

The money for the investments came from the Moscow Narodny Bank branch in Singapore, and the attempted purchases were carried out by two middlemen, Dawe and an associate, Y. T. Chou. Dawe is in jail in Hong Kong, and Chou's whereabouts are unknown.

The money was channeled through financial institutions in Panama and Nashville, presumably to disguise its source, according to documents filed in U.S. District Court in San Francisco in a case against Dawe. He was charged with illegal transfer of funds in connection with the aborted bank purchases and for using collateral that had been pledged in other loans.

The U.S. charges against Dawe were dropped in 1979 and he was extradited to Hong Kong, where he faced fraud charges in connection with the Soviet bank deal. He began serving a six-year term in a Hong Kong jail in 1984 for those offenses, according to one of his U.S. attorneys, Cliff M. Palefsky of San Francisco.

The plot was unearthed by a CIA agent in Singapore who noticed an unusual pattern of lending between Soviet and Singapore banks. The plan was publicized in a Singapore financial newsletter and quickly fell apart, according to the New York Times account.

Soviet and government officials suspect that the Soviets tried to buy the banks to gain technical information or exert leverage on American businessmen involved in sensitive projects. The Peninsula bank, in particular, counted a number of high-technology firms and their executives among its customers.

The leading proponent of this theory is Assistant Secretary of Defense Richard N. Perle, the Pentagon's top international security official. He has been on a crusade for several years to stem the unauthorized export of Western technology to the Soviet Union.

But Stephen Bryen, deputy undersecretary of defense for trade security policy, acknowledged Sunday that there is no firm evidence as to why the Soviets tried to buy the banks.

However, he said that "while there's no single document we can hold up and say, 'this is their master plan,' there are these facts: These were minor banks in Silicon Valley that were in trouble, and the effort to buy them coincided with a period when the Soviet consulate in San Francisco was extremely active in trying to recruit people (for espionage). Why else would the Narodny Bank want to buy them? It doesn't have money to throw around."

Sen. Daniel Patrick Moynihan (D-N.Y.), a member of the Senate Intelligence Committee, said in an interview Sunday that the attempted bank purchases fit into a larger pattern of Soviet attempts to obtain Western technology by means subtle and overt. He said the Soviets are unlikely to abandon efforts to infiltrate the U.S. financial system because of this defeat.

"From what I know of the subject, you can be absolutely certain the Soviets will try again in

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three or four or five places. We're lucky a very smart guy spotted this attempt, because this is a good technique.

"We've seen a pattern in the last 10 years of the Soviets' recruiting people to spy at mid-technological levels, and spy for money. They're stupid . . . and they get caught. This is a much better technique; it can get them into the system at an inconspicuous level of operations that are looking for venture capital. . . . Bank credit officers can ask all sorts of questions about a company's operations."

But Palefsky, Dawe's lawyer, discounted such speculation. He said his client is not a spy, but merely an opportunistic businessman who "was going to take them (Soviets) for all they were worth."

He also said that Dawe had repeatedly offered to share with U.S. officials information on Soviet penetration of American banks in return for political asylum but was rebuffed. Dawe, fighting extradition to Hong Kong, also was willing to expose Soviet agents in the United States and give details of other Soviet investments here, Palefsky said.

Under current federal law, the sale of a bank can be contested only if the proposed purchaser withholds information, lacks adequate finances or is considered morally or legally unfit. Nothing bars the Soviets or any other nation from investing in U.S. banks directly or indirectly.

Because of this case, however, Moynihan said Sunday that he will propose legislation to tighten restrictions on foreign ownership of U.S. banks.

Contributing to this article were Stephen Braun in Los Angeles, Mark Stein in San Francisco and Don Irwin in Washington.